

IMMEDIATE RELEASE
February 28, 2002

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Taxpayers Lose Billions Due to Fraudulent Claims

Washington, DC -- In a report requested by Congressman Ernest Istook (R-OK), the Internal Revenue Service says 3 of every 10 claims for low-income assistance are false or fraudulent, costing American taxpayers at least \$8.5 billion yearly.

The claims are for the so-called EITC ("Earned Income Tax Credit"). The IRS is required to send checks to low-income taxpayers who have children.

Nineteen million Americans annually file tax returns claiming these payments, and receive (on average) a check for over \$1,600 each. The IRS reports things have worsened since their last study two years ago. Then, about 1-in-4 payments were undeserved; now it's almost 1-in-3. That means about 6-million false claims are being paid each year.

"It's a mess," Istook said. "This ruins all our work on welfare reform if we don't close this backdoor to fraud under the false label of compassion. The amount being wasted is huge, and it's wrong."

Istook chairs the House subcommittee that handles the budget of the IRS. He says the dramatic abuse of EITC, as shown in the report Istook instigated, now has the attention of the IRS and Treasury Department.

At a hearing before Istook's subcommittee, the Commissioner of the IRS announced that he and Treasury Secretary Paul O'Neill are heading a 4-month crash project to propose reforms.